

## Message Text

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44

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 /089 W

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R 311145Z DEC 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 4963

INFO AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

USINT BAGHDAD

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E.O.11652: N/A

TAGS: EFIN, USIRJC, IR

SUBJ: GOVERNOR OF CENTRAL BANK COMMENTS ON ECONOMIC AND  
FINANCIAL DEVELOPMENTS IN IRAN

1. BEGIN UNCLASSIFIED - IN A WIDE-RANGING PRESS CONFERENCE GIVEN  
ON DECEMBER 28, THE NEWLY-APPOINTED GOVERNOR OF THE CENTRAL BANK OF  
IRAN (CBI), HASSAN ALI MEHRAN, MADE A NUMBER OF COMMENTS ON IRAN'S  
RECENT ECONOMIC GROWTH. IN THIS, HIS FIRST MEETING WITH THE PRESS  
SINCE HIS APPOINTMENT AS GOVERNOR TWO MONTHS AGO, MEHRAN CALLED FOR  
A "VAST NATIONAL SAVINGS PROGRAM AND INTENSIVE DEVELOPMENT OF THE  
NON-OIL ECONOMIC SPHERE." ANY INCREASE IN PUBLIC SECTOR ACTIVITY,  
HE SAID, MUST BE ACCOMPANIED BY "INCREASED FINANCIAL DISCIPLINE"  
IN THAT SECTOR. ACCORDING TO MEHRAN, BANK CREDITS TO THE PRIVATE  
SECTOR ARE RUNNING 2.5 TIMES GREATER IN THE CURENT IRANIAN FISCAL  
YEAR THAN IN THE PREVIOUS YEAR (247 BILLION RIALS VS. 108 BILLION

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RIALS) AND IMPORT ORDERS ARE 66 PERCENT HIGHER THUS FAR IN THE

CURRENT YEAR (376 BILLION RIALS VS. 227 BILLION RIALS). SUCH BEING THE CASE, SAID MEHRAN, " WHERE THEN IS THE BASIS FOR TALK ABOUT LACK OF FUNDS, A CREDIT SQUEEZE OR A SLOWDOWN IN ECONOMIC ACTIVITY?"

2. INFLATION, HE SAID, HAS BEEN "MUZZLED;" WHOLESAL PRICES ARE NOW 4.2 PERCENT BELOW THE MARCH 1975 LEVEL AND THE ANTI-PROFITEERING DRIVE HAS HAD A "PERMANENT IMPACT ON PRICES." THE GOVERNMENT, HE SAID, HAS BEEN SUCCESSFUL IN CREATING A "LASTING SYSTEM" FOR CONTROLLING PRICES.

3. TURNING TO THE QUESTION OF THE GROWTH OF CAPITAL MARKETS IN IRAN, MEHRAN SAID THAT WHILE THERE WAS A NEED IN THIS AREA, THE LACK OF INFRASTRUCTURE IN IRAN INHIBITS THE GROWTH OF FINANCIAL INSTITUTIONS. AFTER A BRIEF DISCUSSION OF THE REQUIREMENTS FOR GREATER FINANCIAL GROWTH, MEHRAN THEN ASKED, "BUT DO WE WANT TO BECOME ANOTHER SINGAPORE?" END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE - COMMENT: BANKING CIRCLES IN TEHRAN SEE IN TEHRAN'S REMARKS AN ATTEMPT BOTH TO ASSUAGE A SOMEWHAT HARRIED PRIVATE SECTOR AND TO PUT GOVERNMENT POLICIES IN THE BEST POSSIBLE LIGHT. SOME OF OUR SOURCES REPORT THAT WHILE THE OPENING OF NEW LETTERS OF CREDIT DOES SEEM TO BE ON THE UPSWING, THE BULK OF THIS RECOVERY CAN BE ATTRIBUTED TO THE GOVERNMENT SECTOR. DEMAND, IT IS SAID, STILL LAGS IN THE PRIVATE SECTOR, AWAITING CLEAR SIGNAL FROM THE GOVERNMENT THAT THE WORST DAYS OF THE ANTI-PROFITEERING DRIVE ARE OVER. WHILE NEITHER MEHRAN NOR ANY OTHER OFFICIAL HAVE EXPLICITLY SAID THAT CREDIT CEILINGS ON THE BANKS WILL BE RAISED, WE ARE RELIABLY TOLD THAT A NUMBER OF COMMERCIAL BANKS HAVE BEEN GIVEN TACIT PERMISSION BY THE CBI TO LOOK FOR OFF-SHORE FINANCING. BANK SANAYE, FOR EXAMPLE, HAS REPORTEDLY BEEN GIVEN PERMISSION TO PLACE \$20 MILLION WORTH OF NOTES IN THE LONDON MONEY MARKET. THE INDUSTRIAL CREDIT BANK HAS APPROVAL FOR \$30 MILLION IN PLACEMENTS. MEHRAN'S REMARKS CAN PERHAPS BE BEST READ AS AN EXTENSION OF HIS PUBLIC STATEMENT A FEW WEEKS AGO THAT THE NEEDS OF THE BANKING SYSTEM WILL BE SYMPATHETICALLY EXAMINED ON A CASE-BY-CASE BASIS.

5. OF GREATER INTEREST IS THE EVIDENT AMBIVALENCE WITHIN THE GOI ON WHETHER TEHRAN CAN ANYTIME SOON BECOME A MAJOR FINANCIAL MARKET LIMITED OFFICIAL USE

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OR INDEED WHETHER THE COUNTRY OUGHT TO MOVE IN THIS DIRECTION. ONE FORMER GOI FINANCE MINISTER, JAMSHID AMOUZEGAR (NOW MINISTER OF INTERIOR), PRIVATELY CASTIGATED THE HEAD OF A LARGE U.S. BANK FOR HAVING STATED PUBLICLY (IN BAHRAIN) THAT NEITHER CAIRO NOR TEHRAN COULD REPLACE BEIRUT AS A FINANCIAL CAPITAL; AMOUZEGAR REPORTEDLY WENT ON TO TELL THE U.S. BANKER THAT IT WAS THE GOI'S FIRM INTENTION TO CREATE A SOPHISTICATED FINANCIAL CAPITAL IN TEHRAN. MEHRAN'S REMARKS, HOWEVER, SUGGEST THAT THIS IS BY NO MEANS THE

SETTLED GOI POSITION, AT LEAST AS FAR AS THE CBI IS CONCERNED.  
JUST WHAT IT IS THAT THE GOI WANTS BY WAY OF A FINANCIAL CAPITAL  
IN TEHRAN, OR INDEED IF IT WANTS THAT AT ALL AT THIS TIME, WILL  
PROBABLY BE MADE CLEARER IN THE COURSE OF THE UPCOMING U.S.-IRAN  
FINANCIAL CONFERENCE.  
HELMS

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## Message Attributes

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